



**Office of the United States Attorney
District of Arizona**

PRESS RELEASE

FOR IMMEDIATE RELEASE

Friday, November 19, 2004

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PHOENIX WOMAN PLEADS GUILTY TO TAX SCHEME

PHOENIX - Star L. Mathias, DOB 9/23/52, of Phoenix, pleaded guilty yesterday in federal district court in Phoenix to conspiracy to defraud the United States.

Mathias had been charged with violating Title 18 of U.S. Code, Section 371. From January 1995 through December 1997, Mathias and other individuals joined together in an organization known as PROTEC for the purpose of promoting and marketing a system of trusts in which individual taxpayers would illegally reduce the income on which they would pay federal taxes. This was achieved by concealing income and by converting personal expenses into purportedly deductible expenses. Mathias and others received fees for setting up the trusts and received other fees for preparing tax returns for those who purchased the trusts. The effect of this conduct was to conceal, disguise and ultimately evade the payment of federal taxes.

Mathias admitted that in one instance she advised a client to purchase a package of off-shore trusts to pass through the client's business income. The income was then to be transferred to an international business corporation, which had no filing requirement and, therefore, no federal tax liability. Mathias advised the client that with the purchase of the off-shore trust package, the client could eliminate taxes for the entire year. Mathias also advised the client to have her spouse place his income from wages into a business trust containing their personal residence and take deductions against the income based upon expenses of running the residence. She further advised the client to name their son as a successor trustee, send him to a private school and deduct the cost of his education as an expense to the trust.

A conviction for conspiracy to defraud the United States carries a maximum penalty of five years in prison, a \$250,000 fine or both. Sentencing is set before Judge James A. Teilborg on February 8, 2005.

The investigation in this case was conducted by special agents of the Criminal Investigation unit of the Internal Revenue Service. The prosecution is being handled by David Eisenberg, Assistant U.S. Attorney, District of Arizona.

CASE NUMBER: CR-03-375-PHX-JAT

RELEASE NUMBER: 2004-186

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